

Message Text

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ACTION EB-12

INFO OCT-01 EUR-25 NEA-14 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-03 COME-00 DODE-00 FEAE-00 FPC-01 H-03

INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 PA-04

USIA-15 PRS-01 DRC-01 /192 W
----- 094834

R 301230Z SEP 74

FM USINT BAGHDAD

TO SECSTATE WASHDC 1302

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

C O N F I D E N T I A L BAGHDAD 672

E.O. 11652: GDS

TAGS: ENRG, IZ

SUBJECT: FUTURE OF BPC

REF: BAGHDAD 627

1. BPC DIRECTOR HOWARD GOFF VISITED BAGHDAD SEPT 30-OCT 1
AND IS GOING TO BASRA OCT 2 FOR INSPECTION OF BPC'S EXPANSION
PROGRAM. TRIP IS ONE OF HIS LAST ACTS AS BPC DIRECTOR BEFORE
RETURNING TO MOBIL. GOFF SAW MINPET HAMMADI AND UNDER SECS
CHALABI AND AL-JABIR SEPT 30. HIS RECEPTION WAS VERY COURTEOUS
AND CHALABI IN PARTICULAR EXPRESSED APPRECIATION FOR BPC'S WILLING-
NESS TO LIFT INOC'S 1 MILLION TON SHARE OF OIL DURING AUGUST
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AND SEPT (BAGHDAD 530). GOFF SAID BPC HAD BEEN LUCKY TO BE

ABLE TO LIFT THIS AMOUNT DESPITE WORLD SURPLUS AND HAD PROMISED TO DO SAME FOR FIRST HALF OCTOBER.

2. UNRESOLVED QUESTION IS HOW MUCH AND WHEN THIS OIL IS TO BE PAID BACK. GOI SAYS BPC MUST PAY BACK FULL AMOUNT IN KIND BEGINNING IN NOVEMBER AND OVER PERIOD OF SIX MONTHS. BPC HAS NOT YET AGREED. PRICE AT WHICH THIS OIL PURCHASED (7.30) PUTS BPC IN STRONG POSITION FOR FUTURE NEGOTIATIONS ON NEW ARRANGEMENT OR COMPENSATION FOR NATIONALIZATION, WHICHEVER COMES FIRST. GOFF SAID THAT BY END OF YEAR, AND PROBABLY BEFORE, BPC WILL BE NET DEBTOR TO IRAQ EVEN AFTER TAKING INTO ACCOUNT RETROACTIVE APPLICATION OF PARTICIPATION, COMPENSATION FOR NATIONALIZATION AT NET BOOK VALUE, AND OTHER LIKELY IRAQI DEMANDS. GOFF SAID BPC PROCEEDING AS PROMISED WITH EXPANSION PROGRAM TO 80MTA BY AUGUST 1975, BUT AT SAME TIME PREPARING FOR THE WORST. HE SAID NO ONE IN LONDON EXPECTS BPC TO BE AROUND IN ITS PRESENT FORM MORE THAN 15 MONTHS AND MOST PESSIMISTIC ESTIMATE IS NATIONALIZATION IN THREE MONTHS.

3. RE IRAI POLICY ON E AND P; GOFF SEEMS TO HAVE GOTTEN NO HINT OF NEW IRAQI POLICY. MOST HAMMADI HAD SAID WAS THAT INOC WOULD BE PLEASED TO SEE GOFF RETURN IN MOBIL HAT ONCE INOC IS TOLD WHAT POLICY WILL BE.

4. INOC DID RECENTLY SIGN STRAIGHT SERVICE CONTRACT WITH FRENCH COMPANY CGG FOR SOME EXPLORATORY DRILLING AND THIS MAY BE PATTERN FOR FUTURE. HOWEVER, RECENT EXPERIENCE SEEMS TO INDICATE THAT GOI NEEDS MAJORS TO MARKET PRESENT PRODUCTION LET ALONE INCREASINGLY LARGE INOC SHARE OF EXPANDED PRODUCTION. LOWRIE

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